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## NEW APPLICATION

FOR THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
DOCKET CONTROLCOMMISSIONERSSUSAN BITTER SMITH, Chairman  
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ORIGINAL

IN THE MATTER OF THE APPLICATION  
OF SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC., AN  
ARIZONA NONPROFIT CORPORATION,  
FOR (1) APPROVAL OF A NEW NET  
METERING TARIFF; (2) APPROVAL OF  
REVISIONS TO ITS EXISTING NET  
METERING TARIFF; AND (3) PARTIAL  
WAIVER OF THE NET METERING  
RULES.

DOCKET NO. E-01575A-15-0127

APPLICATION

Arizona Corporation Commission

DOCKETED

APR 14 2015

DOCKETED BY

Sulphur Springs Valley Electric Cooperative, Inc., an Arizona non-profit corporation, ("SSVEC" or the "Cooperative"), through counsel undersigned, hereby submits this application ("Application") for: (i) approval of a new Net Metering Tariff Schedule NM-2 that will apply to all future net metered members (as defined hereinafter) which credits to a member's account any excess energy produced from an eligible net metering facility on a monthly basis at SSVEC's authorized avoided cost rate; (ii) revisions to the Cooperative's existing Net Metering Tariff Schedule NM (to be revised and renamed Net Metering Tariff Schedule NM-1) which provide that members who have an installed eligible net metering facility or an accepted SunWatts Incentive/Interconnection application on file with SSVEC by close of business on April 14, 2015, will be grandfathered under the existing net metering tariff for a period of twenty years from the date of installation of the eligible net metering facility; and (iii) approval of a partial waiver of the Commission's net metering rules set forth in A.A.C. R14-2-2301 *et seq.*, (the "Net Metering Rules") as necessary to authorize the new tariff and the tariff revisions requested herein. For the reasons set forth hereinafter, SSVEC requests expedited consideration of this Application without a hearing. In the event the Arizona Corporation Commission ("Commission") determines that a hearing is necessary, SSVEC requests that a hearing be

1 scheduled on an expedited basis, given the urgency and extent of the net metering cost shift  
2 problem. SSVEC has notified its members of this Application in a notice that was placed on the  
3 Cooperative's website and mailed to all members on April 10, 2015, a copy of which is attached  
4 hereto as Attachment 1.

5 **I. INTRODUCTION.**

6 SSVEC is a member-owned Arizona non-profit cooperative founded in 1938 which  
7 provides electric service to approximately 51,000 customers in parts of Cochise, Santa Cruz,  
8 Pima and Graham counties under a Certificate of Convenience and Necessity issued by the  
9 Commission. SSVEC is governed by a 10-member board of directors elected by the members of  
10 SSVEC to oversee all aspects of the Cooperative's operations. SSVEC exists for the sole  
11 purpose of providing reliable electric service to its members at the best possible rates. The  
12 board unanimously authorized the filing of this Application.

13 SSVEC has had in place a renewable energy program since 2005 and an approved  
14 Renewable Energy Standard and Tariff ("REST") plan since the Commission's REST rules  
15 became effective. SSVEC has demonstrated an early and strong commitment to the  
16 development of renewable energy resources within its service territory. As evidence of this, the  
17 Solar Electric Power Association ("SEPA"), a not-for-profit educational and research  
18 organization focused on helping utilities integrate solar into their operations, recognized SSVEC  
19 as the top utility in the nation in increased use of solar power based on watts-per-customer  
20 during 2009. Since 2009, SSVEC has consistently placed in the top 10 electric cooperatives  
21 nationwide for increased use of solar power based on watts-per-customer.

22 Today, SSVEC is well ahead of the goals of its REST plan and is currently finalizing a  
23 purchase power agreement for a new utility-scale solar project that will provide approximately  
24 20 megawatts of additional solar power for the benefit of all Cooperative members at an  
25 economical price.<sup>1</sup> With this project, SSVEC will reach over 95% of its 2025 REST goal by the  
26 end of 2017. This solar power will benefit all of the Cooperative's members as compared to

27 <sup>1</sup> SSVEC's members have expressed a preference for utility-scale solar over subsidies to individual  
28 members for rooftop photovoltaic installations. Because SSVEC is directly accountable to its member-  
owners, the Cooperative gives great weight to the desires of its members.

1 distributed rooftop solar which primarily benefits those who have the financial means to  
2 purchase a system or the requisite credit to lease a system.

3 In Decision 70567 (October 23, 2008), the Commission approved the new Net Metering  
4 Rules which became effective May 23, 2009. Net metering allows electric utility consumers to  
5 be compensated for generating their own energy from renewable resources, fuel cells or  
6 cogeneration facilities (collectively, "Distributed Generation"). Pursuant to the rules, SSVEC  
7 must interconnect with members who own or lease Distributed Generation facilities using a  
8 meter "capable of registering and accumulating the kilowatt-hours ("kWh") of electricity  
9 flowing in both directions in each billing period."<sup>2</sup> The requirements of net metering are set  
10 forth in Arizona Administrative Code ("A.A.C.") R14-2-2306, which provides as follows:

- 11 A. On a monthly basis, the Net Metering Customer shall be billed or credited  
12 based upon the rates applicable under the Customer's currently effective  
13 standard rate schedule and any appropriate rider schedules.
- 14 B. The billing period for Net Metering will be the same as the billing period  
15 under the Customer's applicable standard rate schedule.
- 16 C. If the kWh supplied by the Electric Utility exceed the kWh that are  
17 generated by the Net Metering Facility and delivered back to the Electric  
18 Utility during the billing period, the Customer shall be billed for the net  
19 kWh supplied by the Electric Utility in accordance with the rates and  
20 charges under the Customer's standard rate schedule.
- 21 D. If the electricity generated by the Net Metering Customer exceeds the  
22 electricity supplied by the Electric Utility in the billing period, the  
23 Customer shall be credited during the next billing period for the excess  
24 kWh generated. That is, the excess kWh during the billing period will be  
25 used to reduce the kWh supplied (not kW or kVA demand or customer  
26 charges) and billed by the Electric Utility during the following billing  
27 period.
- 28 E. Customers taking service under time-of-use rates who are to receive credit  
in a subsequent billing period for excess kWh generated shall receive such  
credit during the next billing period during the on- or off-peak periods  
corresponding to the on- or off-peak periods in which the kWh were  
generated by the Customer.
- F. Once each calendar year the Electric Utility shall issue a check or billing  
credit to the Net Metering Customer for the balance of any credit due in  
excess of amounts owed by the Customer to the Electric Utility. The  
payment for any remaining credits shall be at the Electric Utility's  
Avoided Cost. That Avoided Cost shall be clearly identified in the  
Electric Utility's Net Metering tariff.

<sup>2</sup> A.A.C. R14-2-2303.

1 SSVEC's Net Metering Tariff Schedule NM was approved in Decision 71463 (January  
2 26, 2010). The decision held that the approved tariff conformed to the Net Metering Rules with  
3 respect to eligibility, metering, billing and disposition of excess energy generated by members.<sup>3</sup>  
4 The decision approved an initial avoided cost rate of \$0.0491 per kWh which would thereafter  
5 be updated annually and effective September 1. The Cooperative's current avoided cost rate of  
6 \$0.0307 per kWh was approved in Decision 74704 (August 26, 2014) and became effective  
7 September 1, 2014. Schedule NM was recently revised pursuant to the authority granted in  
8 Decision 74811 (November 13, 2014) to eliminate the March true-up month for new SSVEC net  
9 metered customers on or after January 1, 2015.

10 It is important to note that SSVEC's Net Metering Tariff Schedule NM, which was  
11 ordered by the Commission pursuant to A.A.C. R14-2-2307(A), was first approved and  
12 implemented outside of rate case. Additionally, subsequent annual approvals of SSVEC's  
13 avoided cost rates have also occurred outside of a rate case, as well as the recent modification to  
14 eliminate the March true-up.

## 15 **II. THE PROBLEM OF THE NET METERING COST SHIFT.**

16 Like other electric utilities in Arizona, SSVEC has experienced a significant increase in  
17 the number of customers installing rooftop solar Photovoltaic ("PV") systems, the most common  
18 form of Distributed Generation. Rooftop PV systems are eligible for net metering under  
19 SSVEC's Net Metering Tariff Schedule NM, and the proliferation of PV systems in the  
20 Cooperative's service area has resulted in a dramatic and alarming increase in unrecovered fixed  
21 costs attributable to net metered members. A net metered member avoids paying the full cost of  
22 the transmission and distribution infrastructure used to serve that member. Additionally, a net  
23 metered customer receives the full retail rate for excess energy generated by the member, even  
24 though the retail rate far exceeds the Cooperative's cost of purchasing power. As a result, the  
25 rapid increase in rooftop PV systems has shifted (and continues to shift) the recovery of those  
26 fixed costs to members who have not installed PV systems. This inequitable circumstance is a  
27 serious problem that is growing larger day-by-day.

28 <sup>3</sup> Decision 71463 at page 4, Finding of Fact 4.

1 SSVEC and the other Arizona cooperatives warned of the harmful cost shift that would  
2 occur as a direct consequence of net metering in comments filed more than seven years ago by  
3 the Grand Canyon State Electric Cooperative Association in Docket RE-00000A-07-0608. In  
4 those comments, the cooperatives stated the following:

5 Net metering creates a subsidy for customers who receive net metering. The  
6 cooperative and its members have incurred the cost of a transmission and  
7 distribution system to serve all members/customers. A customer that is net  
8 metered avoids paying the full cost of those facilities and receives a full retail rate  
9 for power generated by the customer. The other members will eventually be  
10 forced to pay higher rates to subsidize these costs that are not being paid by net  
11 metered customers.

12 \* \* \*

13 The Staff Report and Net Metering Rule R-14-2-2303 [13.d] state that a customer  
14 with generating capacity less than or equal to 125% of the customer's  
15 requirements is eligible to receive net metering. The Electric Cooperatives have  
16 previously stated in their comments that net metering systems should be sized to  
17 meet the customer's load and that customers should not be incented to oversize  
18 their distributed generation ("DG") system such that on a regular, net basis they  
19 are able to provide electricity to the utility. A net metering rule that would allow  
20 net metered customers to oversize their systems by up to 25% appears to incent  
21 customers to install more DG equipment so that net metered customers could  
22 regularly sell energy to a utility. In addition, the Electric Cooperatives are already  
23 required to maintain reserve margins for all customers in order to maintain system  
24 reliability. To require utilities and their consumers to buy power from net  
25 metered customers on a regular basis that is due to the additional 25% is unfair to  
26 non-net metered customers and duplicative.<sup>4</sup>

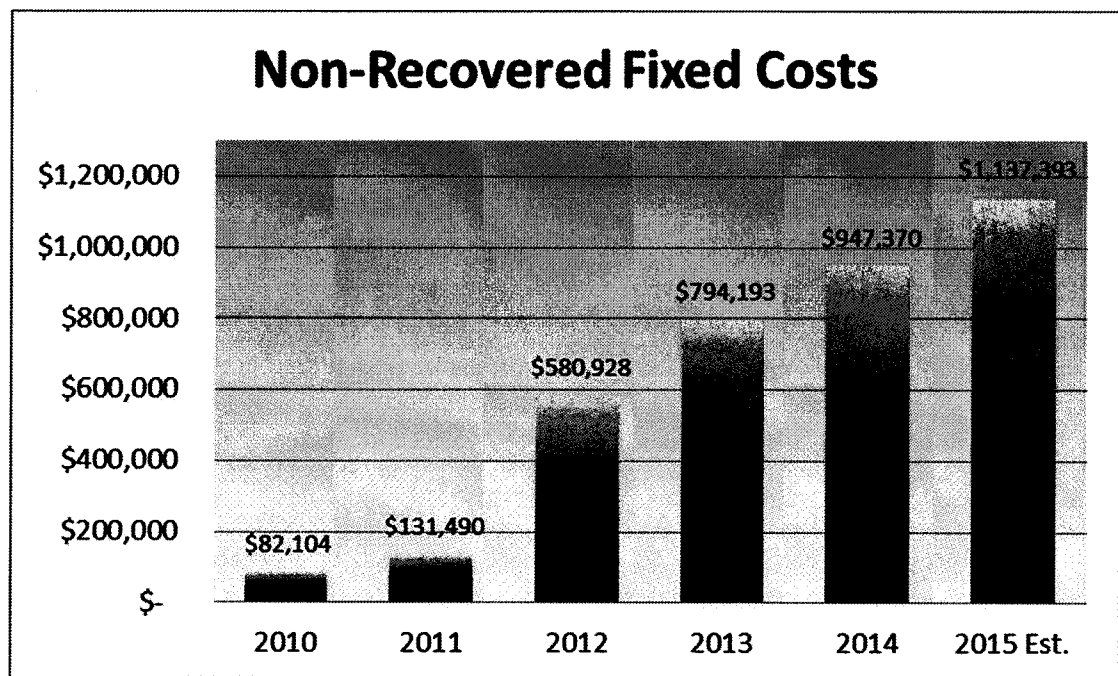
27 SSVEC's fixed base monthly charge for residential members is only \$10.25 per month,  
28 one of the lowest monthly charges in the Arizona. With careful management, SSVEC has been  
able to lengthen the interval between general rate cases, with 16 years between the last two  
general rate cases filed in 1992 and 2008.<sup>5</sup> As a result, however, SSVEC has not had as many  
opportunities as other utilities to incrementally increase its base monthly charge. This means  
that SSVEC must collect \$0.04704 per kWh sold to cover its fixed costs. This cost was  
originally approved for SSVEC when all Arizona utilities, including the cooperatives, were  
ordered to unbundle rates in connection with electric competition. The amount has changed in

<sup>4</sup> Letter dated January 4, 2008, filed by the Grand Canyon State Electric cooperative Association in Docket No. RE-00000A-07-0608, at pages 1-4.

<sup>5</sup> SSVEC filed a streamlined rate case in 2013, but the Commission's new rule on streamlined rate cases for cooperatives does not allow changes in base charges.

subsequent rate cases but has always been recognized by the Commission as a fixed cost in the Commission-approved cost of service studies prepared by the utilities. Because net metered members only pay the kWh charge on the kilowatt hours they use above the net amount, they avoid paying a portion of the fixed costs attributable to their use of electric service. Based upon the cost of service study used in SSVEC's 2013 streamlined rate case, SSVEC's true monthly fixed charge should be \$44.37 per month in order to zero out the kWh adder.

SSVEC's unrecovered fixed costs due to net metering have increased at an alarming rate, from \$82,104 in 2010 to \$947,370 in 2014. SSVEC estimates that the cost shift in 2015 will exceed \$1.1 million. The following graph shows the magnitude of the net metering cost shift for SSVEC over the past five years:



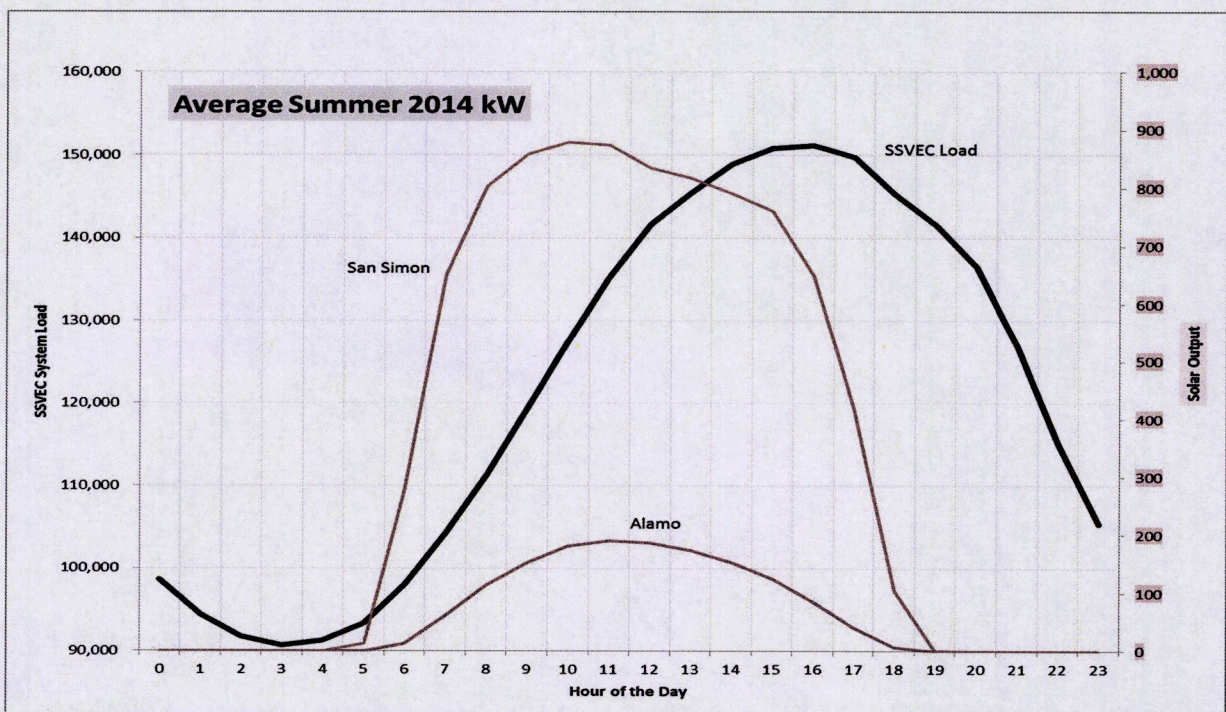
Net metered members effectively use SSVEC's infrastructure as a storage battery for their rooftop PV systems which allows them to lower their energy costs by shifting a portion of those costs to non-net metered members. In the 5-6 hours per day that a rooftop PV system produces electricity on average,<sup>6</sup> a net metered member will typically produce 3-5 times the

<sup>6</sup> PV systems do not produce energy during all daytime hours. Clouds, haze, dust storms and other factors all work to reduce the production capacity of PV panels.



energy that the member is consuming. The unused excess energy goes onto the electric grid, accruing a credit balance for the member. Then, during the 18-19 hours per day (on average) that the rooftop PV system is not producing power, the member receives power from SSVEC which is netted against the accrued credit balance pursuant to the Net Metering Tariff. Certainly, rooftop PV systems would not have been widely adopted without the essential "storage battery" that is provided by the electric utility. However, under the current model, net metered members benefit from the ability to buy and sell electricity but are not paying their fair share of the operation, maintenance and repair costs of the electric system they use.

Additionally, SSVEC would point out that in its service territory, which does not see the summertime high temperatures that are experienced in Tucson and Phoenix, net metering does not lessen the Cooperative's peak energy demand. To illustrate the point, SSVEC owns two solar systems: a fixed array system in Sonoita (Alamo substation) and a single axis tracker array system in San Simon. As shown on the graph below, neither system matches SSVEC's peak demand and, in fact, energy production from both systems is actually decreasing at the time the Cooperative's demand peak occurs. Rooftop PV systems have similar production curves and, likewise, do not match up well with the demand peak.





1 As more and more SSVEC members take advantage of net metering, a greater portion of  
2 the unrecovered fixed costs associated with their energy use must be borne by the members who  
3 do not have rooftop PV systems. Moreover, the current model shifts costs from those who  
4 typically have the greatest financial resources (*i.e.*, those who can afford to purchase a system or  
5 who have the requisite credit to lease a system) to those who do not. This is an economic model  
6 that simply cannot reasonably be sustained. SSVEC cannot wait any longer to make the  
7 necessary changes to the current model to ensure that everyone pays a fair share of the fixed  
8 costs of the power usage.

9 While a complete remedy to the net metering cost shift may ultimately require  
10 fundamental changes to the rate design of SSVEC, the Commission must begin to address the  
11 problem immediately by approving modifications to the Cooperative's Net Metering Tariff as  
12 described below. Any delay will only exacerbate the growing problem and make  
13 implementation of a complete remedy that much more difficult.

14 **III. PROPOSED NEW NET METERING TARIFF SCHEDULE NM-2.**

15 In order to arrest the acceleration of unrecovered fixed costs, SSVEC's elected board of  
16 directors unanimously authorized the filing of this Application to seek immediate changes in  
17 how excess energy from future eligible net metered members is credited and purchased. SSVEC  
18 is not proposing any new charges for net metered members, current or future. Rather, SSVEC  
19 proposes a restructuring of its Net Metering Tariff that will establish a new tariff for future net  
20 metered customers and will grandfather existing net metered customers under the existing tariff  
21 for a period of 20 years from the date of installation of a qualifying net metering facility. The  
22 proposed new Net Metering Tariff Schedule NM-2, a copy of which is attached hereto as  
23 Attachment 2, would modify how new net metered members receive credit and payment for the  
24 energy that they generate in excess of their load. The new tariff would apply to all net metered  
25 members whose qualifying net metering facility was installed after April 14, 2015 or who did  
26 not have an accepted SunWatts Incentive/Interconnection application on file with SSVEC by  
27 close of business on April 14, 2015. SSVEC notified its members of the April 14, 2015,  
28



1 deadline for grandfathering in a notice on its website and a written notice that was mailed to all  
2 members on April 10, 2015, a copy of which is attached hereto as Attachment 1.

3 The proposed new Net Metering Tariff Schedule NM-2 will operate as follows:

4 1. For energy generated by a qualifying net metering facility that is used to serve a  
5 member's load, the member will continue to benefit from what is effectively a retail rate offset  
6 for such energy.

7 2. For any excess energy that is delivered to SSVEC by the member, the  
8 Cooperative will provide a credit on the net metered member's bill each month for the excess  
9 generation during the billing period at SSVEC's avoided cost rate, currently \$0.0307 per kWh.  
10 New net metered members will not be allowed to bank, save or roll over excess energy in a  
11 current month for use in a future month.

12 3. For any energy delivered to the net metered member by SSVEC, the net metered  
13 member will continue to pay the Cooperative for that energy at the applicable tariff retail rate.

14 4. SSVEC is not proposing any new or additional charge for net metered members  
15 under the new Net Metering Tariff Schedule NM-2.

16 5. The proposed new Net Metering Tariff Schedule NM-2 will utilize the same  
17 metering capability SSVEC already has in place for the current Net Metering Tariff Schedule  
18 NM.

19 6. The new Net Metering Tariff Schedule NM-2 will apply on a going forward  
20 basis. Net metered members (i) with a qualifying net metering facility that has been installed by  
21 close of business on April 14, 2015, or (ii) who have submitted an accepted SunWatts  
22 Incentive/Interconnection application by close of business on April 14, 2015, will continue to be  
23 subject to the Cooperative's existing Net Metering Tariff Schedule NM (to be renamed Schedule  
24 NM-1 as discussed below) for a period of 20 years from the date of installation of the qualifying  
25 net metering facility at the original installation site. The proposed new net metering tariff  
26 implementation will utilize the same metering capability SSVEC already has in place for the  
27 current net metering tariff.  
28

1 With the revisions requested by SSVEC, members who install rooftop PV systems under  
2 Net Metering Tariff Schedule NM-2 will continue to receive a subsidy from SSVEC (and  
3 ultimately the non-net metered members), but the subsidy will be reduced from current levels.  
4 By reducing the subsidy, new net metered members will pay for a portion of fixed costs of  
5 SSVEC's grid services that is closer to the fixed costs that other members pay for the same safe,  
6 reliable power services. While the proposal set forth herein does not fully resolve the net  
7 metering cost shift problem, it is a critical first step that should be taken immediately.

8 Clearly, the Commission has the authority to approve the new Net Metering Tariff  
9 Schedule NM-2 and to grant the requested partial waiver of the Net Metering Rules in this  
10 docket, without SSVEC having to file a rate case. The Commission approved SSVEC's initial  
11 Net Metering Tariff Schedule NM outside of a rate case. Likewise, the Commission has  
12 approved subsequent annual adjustments to the avoided cost rate and a revision to the tariff to  
13 eliminate the March true-up month outside of a rate case. It bears noting that no one in the solar  
14 industry argued that the initial net metering tariffs should be approved in rate cases. To the  
15 contrary, those interests argued that the net metering tariffs should be adopted and put into effect  
16 in the quickest possible way.

17 As stated above, SSVEC has notified its members of this Application. SSVEC has also  
18 modified its interconnection application documentation to require potential new net metering  
19 members to acknowledge, in writing, that the Cooperative has sought approval of a new Net  
20 Metering Tariff Schedule NM-2. Additionally, SSVEC will continue to work with solar  
21 contractors and its members to ensure that everyone understands the Application and the urgent  
22 need for the requested tariff revisions.

23 **IV. PROPOSED REVISIONS TO EXISTING NET METERING TARIFF**  
24 **SCHEDULE NM.**

25 In order to effectuate the modifications requested herein, SSVEC is also seeking  
26 approval of necessary revisions to its existing net metering tariff Schedule NM, which will be  
27 renamed Schedule NM-1 to distinguish it from Schedule NM-2. Attached hereto as Attachment  
28

3 is a revised Net Metering Schedule NM with redlining which highlights the proposed revisions to the current tariff.

After considering a full range of grandfathering options, and weighing the impact to both net metered and non-net metered members, SSVEC's board of directors unanimously voted to grandfather existing net metering facilities for a period of 20 years from the date of installation at the original installation site. The grandfathering extends to the original and subsequent owners of the eligible net metering facilities (at the original installation site) during the 20-year grandfathering period. The selection of 20 years was based upon the following considerations:

- If a member purchased a rooftop PV system, the typical payback period to recover the investment ranges from 6-10 years. With grandfathering for 20 years, a member would easily recoup his or her investment.

- Twenty years is the top end of the term-scale on virtually all leasing models that SSVEC has seen. Thus a member who has chosen a leasing model will be able to fulfill the lease obligations within the grandfathering period.

- Permanently grandfathering members with existing rooftop PV systems would force SSVEC to subsidize those members in perpetuity. This would not be fair to members who do not have rooftop PV systems.

- A 20-year grandfathering period helps remove the uncertainty and questions that would arise as a result of permanent grandfathering.

- A 20-year grandfathering period based on the original installation date places all current net metered customers on an equal footing. If the grandfathering period were to run from the date of the tariff revision, then members with older systems would get more than 20 years. Grandfathering which runs from the date of installation is the most equitable way to implement the tariff change.

#### **V. PARTIAL WAIVER OF THE NET METERING RULES.**

Because SSVEC proposes to credit net metered members for all excess generation at the avoided cost rate and will no longer carry excess generation forward to offset future usage—which is different than what is required pursuant to A.A.C. R14-2-2306—SSVEC must receive a

1 partial waiver of the Net Metering Rules to the extent necessary to effectuate the tariff revisions  
2 requested herein. SSVEC believes such a waiver reflects the realities of the market in Arizona,  
3 allows a better balancing of the interests of its members and is, therefore, in the public interest.

4 The problem of utility lost revenues to recover fixed costs due to net metering is not a  
5 new or unprecedented problem exclusive to SSVEC. Indeed, the Commission has also  
6 recognized the existence of the cost-shift burden in Decision No. 74202 (December 3, 2013)  
7 involving Arizona Public Service Company's application to approve its solution to the net  
8 metering cost-shift dilemma. Specifically, the Commission found that the growth of Distributed  
9 Generation systems in APS' service territory "results in a cost shift from APS's DG Customers  
10 to APS's non DG residential Customers absent significant changes to APS's rate design."<sup>7</sup> For  
11 SSVEC, a member owned cooperative, the growing amount of unrecovered costs (and resulting  
12 lost revenues) impacts the members further because they are also the owners.

13 SSVEC does not have a mechanism in place to recover all of its lost fixed costs.<sup>8</sup>  
14 However, the net metering cost shift can be moderated by immediately reducing the subsidy  
15 provided by the existing Net Metering Tariff Schedule NM. A partial waiver of the net metering  
16 rules and a modification of SSVEC's Net Metering Tariff is a timely means of addressing the  
17 problem. Granting the waiver and allowing SSVEC to implement the new Net Metering Tariff  
18 Schedule NM-2 significantly reduces the future adverse impacts on SSVEC and its members.

19 It is in the public interest for the Commission to grant SSVEC's requested partial waiver  
20 of A.A.C. R14-2-2301 *et seq.* and allow it to implement a new net-metering tariff that: (1) still  
21 provides a benefit to SSVEC's net metered members by crediting those members for excess  
22 energy; but (2) more fairly values excess energy credited, while significantly and directly  
23 moderating the future lost revenue and cost-shift problem caused by its current net-metering  
24 tariff.

25  
26 <sup>7</sup> See Decision 74202, Finding of Fact 49.

27 <sup>8</sup> For APS, the Commission approved a temporary fix of a \$0.70 per kW charge to APS's DG customers  
28 through its Lost-Fixed Cost Recovery mechanism ("LFCR") to deal with what the Commission saw as  
"simply unfair for DG customers to contribute less to the recovery of APS's annual LFCR revenue than  
non-DG customers do."



1                   **VI.    REQUEST FOR EXPEDITED TREATMENT AND WAIVER OF TIME**  
2                   **CLOCK.**

3           SSVEC requests expedited consideration of its Application without a hearing. The  
4 Cooperative submits that expedited consideration is appropriate to (i) mitigate the uncertainty  
5 over net metering in SSVEC's service area, which will benefit the Cooperative, its members and  
6 the solar contractor community; and (ii) minimize the time before the new net metering tariff  
7 applies to new net metered members, which will reduce potential confusion regarding changes in  
8 billing. Moreover, under current rate tariffs, net metered members do not pay for the full  
9 amount of the fixed costs that SSVEC incurs to serve the member. This issue needs to be  
10 addressed at this time because of the rapid growth in rooftop PV systems and the fact that  
11 members choosing to install rooftop systems are making a long-term commitment based on  
12 assumptions related to current utility price structures. Delaying action on this issue will  
13 ultimately result in greater expenses for all members. SSVEC's existing customer charges and  
14 energy charges have all been approved by the Commission in rate cases and no changes to  
15 charges are being requested so the expense of a hearing or a rate case is not necessary to approve  
16 the proposed changes.

17           SSVEC waives any 30-day time clock that would apply to its application in this docket.

18                   **VII.   CONCLUSION.**

19           SSVEC believes that the modified approach to net metering set forth in this Application  
20 provides a more equitable balance for its members and meets the public interest by mitigating  
21 some of the unrecovered fixed costs and the cost shift from one group of members to another  
22 while still continuing to provide an incentive for renewable self-generation.

23           WHEREFORE, SSVEC requests that the Commission take the following actions:

24           1.       Approve SSVEC's proposed new Net Metering Tariff Schedule NM-2 as set  
25 forth in Attachment 2.

26           2.       Approve an effective date for SSVEC's new Net Metering Tariff Schedule NM-2  
27 of April 15, 2015.

28           3.       Grandfather existing net metered members for a period of 20 years from the date  
of installation of qualifying net metering facilities at the original installation site, such that the

1 members will continue to be subject to Net Metering Tariff Schedule NM (to be renamed  
2 Schedule NM-1).

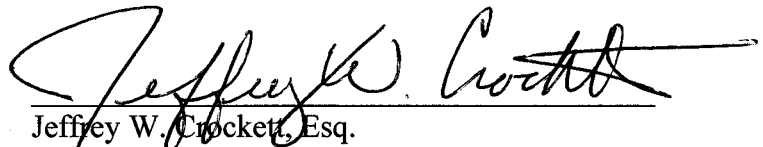
3 4. Approve changes to the existing Net Metering Tariff Schedule NM, including the  
4 renaming of the schedule as Schedule NM-1, as set forth in Attachment 3.

5 5. Grant SSVEC a partial waiver of A.A.C. R14-2-2301 *et seq.* as necessary to  
6 effectuate the tariff revisions requested herein.

7 6. Grant SSVEC such other relief as the Commission deems necessary and  
8 appropriate.

9 DATED this 14<sup>th</sup> day of April, 2015.

10 BROWNSTEIN HYATT FARBER SCHRECK LLP

11   
12

13 Jeffrey W. Crockett, Esq.  
14 One East Washington Street, Suite 2400  
15 Phoenix, Arizona 85004  
16 Attorneys for Sulphur Springs Valley Electric  
17 Cooperative

18 **ORIGINAL** plus thirteen (13) copies of the foregoing  
19 filed this 14<sup>th</sup> day of April, 2015, with:

20 Docket Control  
21 ARIZONA CORPORATION COMMISSION  
22 1200 West Washington Street  
23 Phoenix, Arizona 85007

24 **COPIES** of the foregoing hand-delivered  
25 this 14<sup>th</sup> day of April, 2015, to:

26 Lyn A. Farmer  
27 Chief Administrative Law Judge  
28 Hearing Division  
29 ARIZONA CORPORATION COMMISSION  
30 1200 West Washington Street  
31 Phoenix, Arizona 85007

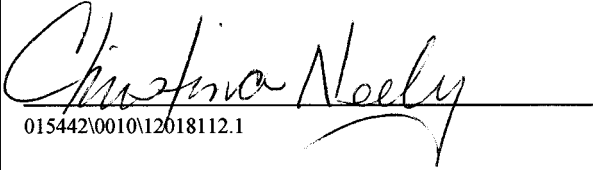
32 Janice Alward, Chief Counsel  
33 Legal Division  
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# **ATTACHMENT 1**





**Sulphur Springs Valley Electric Cooperative, Inc.**

A Touchstone Energy® Cooperative

## **IMPORTANT NOTICE TO SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE MEMBERS**

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We want you to know where Sulphur Springs Valley Electric Cooperative (SSVEC) is heading on the Net Metering issue. Net Metering is regulated by the Arizona Corporation Commission (ACC), the part of state government that oversees the utility industry. We're going to file an official request to be exempted from some of the rules effective as of April 15, 2015.

**In order to remain under the current rules or tariff, SSVEC members' PV systems must have been installed or have a signed "request for interconnection and reservation agreement" at one of the SSVEC offices by the close of business on April 14, 2015.**

### **FAIRNESS TO ALL MEMBERS IS OUR GOAL**

Before we get into the specifics, we want to clarify a few things. We are pro-solar. In fact, we are in the process of evaluating final bids on a 20 MW Purchase Power Agreement. This solar field will cover more than 100 acres. This is an addition to our 41 school community solar projects (in 2009) and two other large solar projects; one in San Simon and the other in Sonoita (in 2012).

Please also keep in mind as you consider this issue, we are a not-for-profit utility whose only purpose is to serve our members, 100% of whom are voting members of SSVEC because it is a cooperative. As a not-for-profit organization, we routinely return capital credits to our members/owners. Since SSVEC was founded in 1938, we have returned over \$17 million to our members. The point is that we are not motivated to enrich distant stockholders. We are 100% locally owned and controlled. Unlike huge for-profit utilities, we don't pay executive bonuses or provide stock options (although we do have a modest annual safety bonus awarded to employees who consistently use safe work practices).

SSVEC is attempting to maintain a fair playing field for all of our members. As a not-for-profit member-owned cooperative, SSVEC is governed

by a member-elected board of directors and subject to the oversight of the Arizona Corporation Commission's rules and regulations. SSVEC exists to do one thing: provide reliable electric service to its members at the best possible price. We have successfully done that since 1938. You (our member/owners) continue to tell us that we are exceeding your expectations; in fact, our member satisfaction rate is among the highest in the nation when compared against our peers.

### **WHAT IS THE NET METERING ISSUE ALL ABOUT?**

The tariff definition is "The ability to connect a customer's alternative power-generating system to a public utility's power grid to offset the cost of power drawn by the customer from the grid."

Since 1938, we have invested millions of dollars to build electrical transmission and distribution lines and substations throughout our service territory. Prior to 2009, our rates were designed to make sure that everyone who used those facilities paid their fair share of the cost. As you might have guessed from that last sentence, things have changed. Today, not everyone is paying their fair share, which is why it is important to discuss this net metering issue.

Under the current ACC net metering rules that were intended to promote more solar power (a goal with which we agree), we are required to pay retail prices for wholesale power sold to us by members who have solar installations. In other words, most people selling us solar power are paying little or nothing for the use of the poles and wire and the cost of operating and maintaining the system (even though they use that system whenever they are not generating enough solar power to meet all their needs). That amounts to a subsidy paid by our non-solar members. The 2% of our members who currently have solar units are being subsidized by the other 98%. The percentage of solar units is only going to grow larger.



## **Sulphur Springs Valley Electric Cooperative, Inc.**

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### **DID SSVEC DO ANYTHING WHEN THE RULES WERE PASSED AND WHY WAIT UNTIL NOW?**

Prior to 2009, when the net metering rule was in development by the ACC, SSVEC, along with the other electric cooperatives in Arizona, joined with for-profit electric utilities because we all objected to the way parts of the rule was written. Perhaps you have read in the news about Arizona utilities' struggle on this issue and the flurry of recent filings.

It now appears that if the rule stands as is, the subsidy will become so big that it will be unfair to all non-solar members. That's why we are asking the ACC to grant us a waiver on the net metering rules.

### **WHAT IS SSVEC ASKING FOR?**

SSVEC currently pays residential solar unit owners our current retail rate of 12.6 cents per kilowatt-hour when they sell solar power to us. We are asking the ACC to allow us to lower that amount to 3.07 cents per kilowatt-hour. That's how much we pay on average when we buy the power elsewhere. In other words, the ACC net metering rule requires us to pay over 4 times more than we otherwise would for the power that our non-solar customers use.

### **WHY IS SSVEC ASKING FOR THIS WAIVER?**

**Net metering, in its current form, results in cost shifts from those with solar to those who do not have solar or can't afford solar or can't install solar (renters).**

SSVEC is a not-for-profit electric cooperative that it owned by its members whom we provide electric service. We have no shareholders who are expecting dividends. Any profits or margins at the end of the year are allocated to our members and eventually they are paid to them. Hence, SSVEC has no profit motive and our sole goal is provide reliable electricity and the lowest possible price.

Net metering creates a subsidy for customers who receive net metering. The cooperative and its members have incurred the cost of a transmission and distribution system to serve all member/customers.

A customer that is net metered avoids paying the full cost of those facilities and yet receives a full retail rate for power generated by the customer. The other members will eventually be forced to pay higher rates to subsidize these costs that are not being paid by net metered customers. In addition, as a result of the high cost of Distributed Generation ("DG") systems, affluent member/customers will be installing DG at the expense of less affluent member/customers.

### **IS IT TRUE THAT THOSE ROOFTOP SOLAR UNITS ACTUALLY SAVE SSVEC MONEY?**

No, it's not true for SSVEC. The typical residential solar system produces power, on average, for about 6 hours per day. Shorter winter days, rain, clouds, haze, dawns, and dusks reduce the amount of energy those solar panels can produce. Since there is at present no affordable battery system for homeowners to store solar power, it means that, on average, those solar homes are using the SSVEC wires and poles (infrastructure) 18 hours a day. The trouble is, we have to pay for the infrastructure no matter how many hours it's used. It's like buying a car: you have to make the monthly payment no matter how many miles you drive it.

Because SSVEC does not own any conventional generation facilities, the power we purchase at 3:00pm costs the same as power purchased at 3:00am. To keep within the car analogy, it doesn't matter what time of day we buy our gas.

### **HOW MUCH DOES IT COST TO SERVE A RESIDENTIAL MEMBER PER MONTH?**

Traditionally, SSVEC and many other electric utilities charged a fixed monthly fee for those facilities that was well below the actual cost – and made up the difference in what they charged for the energy itself per kilowatt-hour. This has kept the cost of energy high so other energy sources looked like they were more competitive in pricing.

SSVEC is currently allowed by the ACC to charge \$10.25 per month for the cost of the infrastructure (the cost of building, maintaining, and operating the system of poles, wires, and substations that brings power to your home). As you can see in

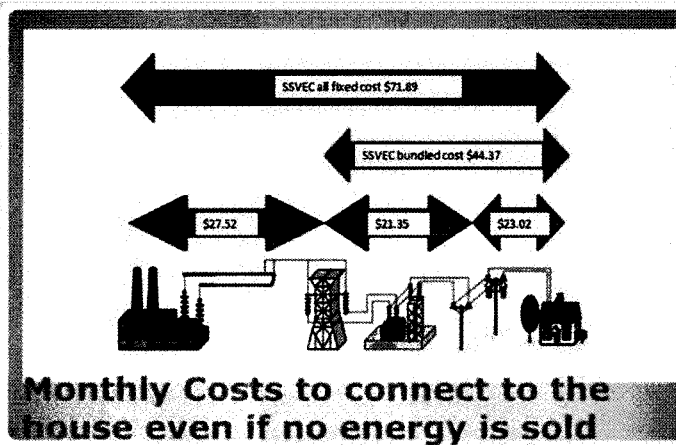


**Sulphur Springs Valley Electric Cooperative, Inc.**

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the chart below, those things actually cost more. Our study shows it costs \$23.02 per month for the facilities to connect your home to the nearest transformer. It costs another \$21.35 to connect that transformer to the nearest substation, and it costs \$27.52 to connect that substation to the power plants. Added up, it costs \$71.89 per month to build and operate the physical system that brings power to your house – no matter how much power you use!

Here's the problem: under the current rules we are allowed to charge solar customers only the



same \$10.25 monthly facility charge that everyone else pays, even though the actual cost is \$71.89 per month. So, they're getting a subsidy of \$61.64 per month from the non-solar customers when they sell us wholesale power at retail rates. A little of that was probably OK to get the ball rolling on solar, but now we have reached a point where it will be unfairly expensive to non-solar customers to continue under the original ACC rules.

### WHAT ARE OTHER UTILITIES DOING?

SSVEC is not alone in seeking a change. Last year, the ACC allowed an adder to Arizona Public Service (APS) for solar customers. The Salt River Project (SRP) board of directors just voted to charge new net metering customers a demand charge that will average \$50 about a month (SRP is not under the jurisdiction of the ACC). Tucson Electric Project (TEP) and Unisource just petitioned the ACC for a waiver to the net metering rules similar to what SSVEC is proposing.

TRICO, our sister cooperative in Tucson, also is requesting a similar waiver.

### I BOUGHT OR LEASE A SOLAR SYSTEM. WHAT HAPPENS TO ME?

If you installed a system or submitted an interconnection request prior to April 15, 2015, SSVEC is proposing that these systems be grandfathered for 20 years from the date of activation. So you keep the deal you now have.

### WHY DID SSVEC SELECT A 20 YEAR GRANDFATHER DATE?

We considered a variety of options ranging from no grandfather date to an unlimited one. We considered leaving the grandfathering in place if solar unit owners sold their house, or not. After looking at many variations, SSVEC's board of directors, considering the impact to both solar and non-solar members, voted for a 20 year grandfather from the date of activation of the system for the system itself (and not limit it to just the current owner). Some of the main reasons that 20 year grandfather term was chosen include:

- ✓ If a member purchased a system, the payback period to recover the investment ranges largely in the 6 to 10 year period. Therefore over 20 years, a member would easily recover their investment with another decade to spare.
- ✓ 20 years is the top end of the scale on virtually all leasing models. Thus a member who has chosen a leasing model will be able to fulfill the lease obligations under the program that they signed up with.
- ✓ An unlimited or forever option places no end period for a purchased or lease systems. Consequently, all of our members would be forced to subsidize another member's system forever. This is not fair to the members who do not have a PV system.
- ✓ A 20 year term also removes uncertainty and questions that may arise in the future. Unlimited and forever leaves a number of questions requiring interpretation. A finite term of 20 years solves the problem.
- ✓ 20 years from the date of installation gives everyone 20 years. 20 years from the adoption of the exemption would give some more than 20 years. The same time period to everyone is the fairest way to handle it.

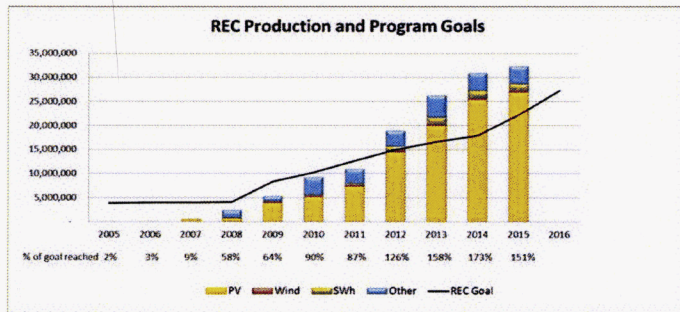


**Sulphur Springs Valley Electric Cooperative, Inc.**

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**THIS SOUNDS A LITTLE  
ANTI SOLAR.  
IS SSVEC DOING ANYTHING  
IN TERMS OF RENEWABLE ENERGY?**

SSVEC is pro-solar and pro-member. For the past 4 years (and through at least 2016), SSVEC has been ahead of the goals set in our ACC-mandated renewables program as seen below:



As we mentioned earlier, we are in the final review of bids for a Purchased Power Agreement (PPA) for a utility scale solar project that will provide 20 megawatts of solar power to SSVEC members at an extremely attractive price. We installed 41 school community solar projects and we have two other large solar projects, one in San Simon and the other in Sonoita. This is solar power that will benefit SSVEC's entire membership versus individual solar which only benefits those who have the means/credit and home ownership to acquire solar. If this negotiation is successful, and our board of directors and the ACC approve, this project will put SSVEC at over 95% of its 2025 goal by the end of 2017.

**SENATE BILL 1465 (MANDATORY DISCLOSURE  
FOR SOLAR PURCHASES AND LEASES)**

Due to an increase in complaints from citizens in Arizona who have purchased or leased systems, the legislature approved and the governor has signed Senate Bill 1465 into law. It will be effective on January 1, 2016. Even before the law takes effect, you ought to be asking these questions and get responses back in writing.

- ✓ You should have a 3 day period to change your mind. Important financial decisions like this should have some thought time and the ability to change your mind.
- ✓ Make sure you understand how much this system will cost over the life of the lease. Understand any interest or fees to be paid. Total number of payments and due dates.
- ✓ Who has the tax obligations, including the increase in property values?
- ✓ Ensure they write down any tax incentives and rebates you might be eligible for and who will be getting them.
- ✓ How and can the warranty or maintenance obligations be sold or transferred to anyone else?
- ✓ What happens if you sell your home (what happens to the lease)?
- ✓ What is the energy output over the life of the system?
- ✓ What are the folks selling you using for Projection of future electric rates?
- ✓ What is the combination of lease costs and electric bills and what are you paying now.

Remember, our State Legislature and Governor would not have passed this bill if there weren't a lot of complaints from citizens.

Feel free to direct your questions or concerns to:

Jack Blair  
Chief of Member Services  
520-515-3470  
[jblair@ssvec.com](mailto:jblair@ssvec.com)

or

David Bane  
SunWatts Program Manager  
520-515-3472  
[dbane@ssvec.com](mailto:dbane@ssvec.com)



# **ATTACHMENT 2**

## ELECTRIC RATES

SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC.  
350 N. Haskell Ave  
Willcox, Arizona 85643

Page 1

Effective Date:

### STANDARD OFFER TARIFF NET METERING TARIFF SCHEDULE NM-2

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#### **Availability**

Net Metering service under this Schedule NM-2 is an option for all customers of the Cooperative with a qualifying Net Metering Facility installed after April 14, 2015, or who submitted an accepted SunWatts Incentive/Interconnection application after April 14, 2015. Participation under this schedule is subject to availability of enhanced metering and billing system upgrades. The electric energy generated by or on behalf of the member from a qualifying Net Metering Facility and delivered to the Cooperative's distribution facilities may be used to offset electric energy provided by the Cooperative during the applicable billing period.

Net Metering Facility means a facility for the production of electricity that:

- a. Is operated by or on behalf of the customer and is located on the customer's premises;
- b. Is intended to provide part or all of the customer's requirements for electricity;
- c. Uses Renewable Resources, a Fuel Cell or CHP (as defined below);
- d. Has a generating capacity less than or equal to 125% of the customer's total connected load, or in the absence of customer load data, capacity less than or equal to the customer's electric service drop capacity; and
- e. Is interconnected with and can operate in parallel in phase with the Cooperative's existing distribution system.

Service under this schedule is available provided the rated capacity of the customer's Net Metering Facility does not exceed the Cooperative's service capacity. The customer shall comply with all of the Cooperative's interconnection standards. The customer is also required to sign and complete the Net Metering Application prior to being provided Net Metering Service. This service is also referred to as Partial Requirements Service.

#### **Monthly Service Charge**

There is no additional monthly service charge for Net Metering. The monthly Service Charge shall be the same as the non-net metering tariff that the customer would use if they did not choose to Net Meter.

#### **Metering**

Metering installed for the service provided under this tariff shall be capable of registering and accumulating the kilowatt-hours (kWh) of electricity flowing in both directions in a billing period.

## ELECTRIC RATES

SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC.  
350 N. Haskell Ave  
Willcox, Arizona 85643

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Effective Date:

### STANDARD OFFER TARIFF NET METERING TARIFF SCHEDULE NM-2

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The customer requesting Net Metering shall pay for the incremental cost difference of the bi-directional meter required for Net Metering and the standard meter, with a monthly fee of \$2.70.

#### **Monthly Billing**

All kWh delivered by SSVEC to the Customer will be based on the rate charged to the Customer under the applicable Standard Rate Schedule.

All kWh received from the Customer (Customer produced excess energy) will be credited on a monthly basis by SSVEC to the Customer at the ACC-approved Annual Average Avoided Cost per kWh. Customer excess energy cannot be "banked," "saved" or "rolled forward" for use in a future month.

There is no Annual True-Up month under this Schedule NM-2 as the accounts are trued-up monthly.

#### **Definitions**

1. Annual Average Avoided Cost is defined as the average wholesale fuel and energy cost per kWh charged by the Cooperative's wholesale power supplier(s) during the previous 12 months calculated with the receipt of the May wholesale power bills. SSVEC will submit an updated Net Metering tariff prior to July 1<sup>st</sup> to the ACC for approval of the Annual Average Avoided Cost and post the updated value to the SSVEC website and copies of the Net Metering tariff are available at any Cooperative office.
2. Renewable Resource means natural resources that can be replenished by natural processes, including Biomass, Biogas, Geothermal, Hydroelectric, Solar or Wind as defined in A.A.C. R14-2-2302(2) &(3).
3. Combined Heat and Power or CHP (also known as cogeneration) means a system that generates electricity and useful thermal energy in a single, integrated system such that the useful power output of the facility plus one-half the useful thermal energy output during any 12-month period must be no less than 42.5 percent of the total energy input of fuel to the facility.
4. Fuel Cell means a device that converts the chemical energy of a fuel directly into electricity without intermediate combustion or thermal cycles. The source of the chemical reaction must be from Renewable Resources.

## ELECTRIC RATES

SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC.  
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Effective Date:

### STANDARD OFFER TARIFF NET METERING TARIFF SCHEDULE NM-2

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5. Determining the customer's 125% capacity from load data:
  - a. In the absence of demand data (for residential and small business) the highest 12 months (calendar year) kWh consumption in the previous three years, will be divided by 2190 (average annual PV production hours) to determine the 100% capacity level in kW which will achieve a "net zero" home or business. To which the 125% will be applied
  - b. For customers with a demand history it will be 125% of the highest demand in the most current 12 month period. Demand history can be obtained by a billing meter with a demand register or demand data acquired by the Automatic Meter Reading (AMR) system.
6. Partial Requirements Services: Electric service provided to a customer that has an interconnected Net Metering Facility whereby the output from its electric generator(s) first supplies its own electric requirements and any excess energy (over and above its own requirements at any point in time) is then provided to the Company. The Company supplies the customer's supplemental electric requirements (those not met by their own generation facilities). This configuration may also be referred to as the "parallel mode" of operation.
7. Non-Firm Power: Electric power which is supplied by the Customer's generator at the Customer's option, where no firm guarantee is provided, and the power can be interrupted by the Customer at any time.
8. Firm Power: Power available, upon demand, at all times (except for forced outages) during the period covered by the Purchase Agreement from the customer's facilities with an expected or demonstrated reliability which is greater than or equal to the average reliability of the Company's firm power sources.
9. Standard Rate Schedule: Any of the Company's retail rate schedules with metered kWh charges.
10. Time Periods: Mountain Standard Time shall be used in the application of this rate schedule. Because of potential differences of the timing devices, there may be a variation of up to 15 minutes in timing for the pricing periods. On-peak and off-peak time periods will be determined by the applicable Standard Retail Rate Schedule.

# **ATTACHMENT 3**

## ELECTRIC RATES

SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC.  
350 N. Haskell Ave  
Willcox, Arizona 85643

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Effective Date: September 1, 2014 In Compliance with Decision 74704

### STANDARD OFFER TARIFF NET METERING TARIFF SCHEDULE NM-1

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#### **Availability**

Net Metering service under this Schedule NM-1 is an option for all customers of the Cooperative with a qualifying Net Metering Facility installed on or before April 14, 2015, or for Customers who had an accepted SunWatts Incentive/Interconnection application on file with the Cooperative on or before April 14, 2015. This tariff is only available for 20 years (240 months) from the date of install and is limited to the original installation site and original equipment. Rights to the use of this Schedule NM-1 are available to the current and subsequent owners of the qualifying Net Metering Facility during the 20-year (240-month) period. Participation under this schedule is subject to availability of enhanced metering and billing system upgrades. The electric energy generated by or on behalf of the member from a qualifying Net Metering Facility and delivered to the Cooperative's distribution facilities may be used to offset electric energy provided by the Cooperative during the applicable billing period.

Net Metering Facility means a facility for the production of electricity that:

- a. Is operated by or on behalf of the customer and is located on the customer's premises;
- b. Is intended to provide part or all of the customer's requirements for electricity;
- c. Uses Renewable Resources, a Fuel Cell or CHP (as defined below);
- d. Has a generating capacity less than or equal to 125% of the customer's total connected load, or in the absence of customer load data, capacity less than or equal to the customer's electric service drop capacity; and
- e. Is interconnected with and can operate in parallel in phase with the Cooperative's existing distribution system.

Service under this tariff is available provided the rated capacity of the customer's Net Metering Facility does not exceed the Cooperative's service capacity. The customer shall comply with all of the Cooperative's interconnection standards. The customer is also required to sign and complete the Net Metering Application prior to being provided Net Metering Service. This service is also referred to as Partial Requirements Service.

#### **Monthly Service Charge**

There is no additional monthly service charge for Net Metering. The monthly Service Charge shall be the same as the non-net metering tariff that the customer would use if they did not choose to Net Meter.



## ELECTRIC RATES

SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC.  
350 N. Haskell Ave  
Willcox, Arizona 85643

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Effective Date: ~~September 1, 2014 In Compliance with Decision 74704~~

### STANDARD OFFER TARIFF NET METERING TARIFF SCHEDULE NM-1

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#### **Metering**

Metering installed for the service provided under this tariff shall be capable of registering and accumulating the kilowatt-hours (kWh) of electricity flowing in both directions in a billing period.

The customer requesting Net Metering shall pay for the incremental cost difference of the bi-directional meter required for Net Metering and the standard meter, with a monthly fee of \$2.70.

#### **Monthly Billing**

If the kWh supplied by the cooperative exceeds the kWh that are generated by the customer's Net Metering Facility and delivered back to the cooperative during the billing period, the customer shall be billed for the net kWh supplied by the Cooperative in accordance with the rates and charges under the customer's standard rate schedule.

If the electricity generated by the customer's Net Metering Facility exceeds the electricity supplied by the Cooperative in the billing period, the customer shall be credited during the next billing period for the excess kWh generated. That is, the excess kWh during the billing period will be used to reduce the kWh supplied (not kW or kVA demand or customer charges) and billed by the Cooperative during the following billing period.

Customers taking service under time-of-use rates who are to receive credit in a subsequent billing period for excess kWh generated shall receive such credit during the next billing period during the on- or off- peak periods corresponding to the on- or off- peak periods in which the kWh were generated by the Customer.

As of January 1, 2015, the "true up" month to meet the requirements of R14-2-2306 (F) will be September only. In the "true up" month or when the account is closed, the Cooperative shall issue a check or billing credit to customers with Net Metering Facilities for the balance of any credit due in excess of amounts owed by the customer to the Cooperative for Non-Firm Power. The payment for any remaining credits shall be at the Cooperative's Annual Average Avoided Cost which is \$0.0307 per kWh. Amounts over \$100.00 will be paid by check lesser amounts will be a billing credit. The Customer may also elect to donate the payment to the SSVEC Foundation or Operation RoundUP. Any payment for Firm Power will be pursuant to a separate contract.

## ELECTRIC RATES

SULPHUR SPRINGS VALLEY  
ELECTRIC COOPERATIVE, INC.  
350 N. Haskell Ave  
Willcox, Arizona 85643

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Effective Date: ~~September 1, 2014~~ In Compliance with Decision 74704

### STANDARD OFFER TARIFF NET METERING TARIFF SCHEDULE NM-1

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#### Definitions

1. Annual Average Avoided Cost is defined as the average wholesale fuel and energy cost per kWh charged by the Cooperative's wholesale power supplier(s) during the previous 12 months calculated with the receipt of the May wholesale power bills. The Annual Average Avoided Cost will then be applied in the September or March\* "true up" period or when a NET Meter Account is closed during the Net Metering Calendar Year. SSVEC will submit an updated NET Meter tariff prior to July 1<sup>st</sup> to the ACC for approval of the Average Avoided Cost and post the updated value to the SSVEC website and copies of the NET Metering tariff are available at any Cooperative office.

*\* For those Customers who are "grandfathered" using the March "true up"*

2. Calendar Year: For the purpose of determining the billing credit for the balance of any credit due in excess of amounts owed by the customer to the Cooperative, the Calendar Year for NET Metering is defined as September 1 through August 31 (September billing cycle).
3. Renewable Resource means natural resources that can be replenished by natural processes, including Biomass, Biogas, Geothermal, Hydroelectric, Solar or Wind as defined in A.A.C. R14-2-2302(2) &(3).
4. Combined Heat and Power or CHP (also known as cogeneration) means a system that generates electricity and useful thermal energy in a single, integrated system such that the useful power output of the facility plus one-half the useful thermal energy output during any 12-month period must be no less than 42.5 percent of the total energy input of fuel to the facility.
5. Fuel Cell means a device that converts the chemical energy of a fuel directly into electricity without intermediate combustion or thermal cycles. The source of the chemical reaction must be from Renewable Resources.
6. Determining the customers 125% capacity from load data:
  - a. In the absence of demand data (for residential and small business) the highest 12 months (calendar year) kWh consumption in the previous three years, will be divided by 2190 (average annual PV production hours) to determine the 100% capacity level in kW which will achieve a "net zero" home or business. To which the 125% will be applied
  - b. For customers with a demand history it will be 125% of the highest demand in the most current 12 month period. Demand history can be obtained by a billing

## ELECTRIC RATES

SULPHUR SPRINGS VALLEY  
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350 N. Haskell Ave  
Willcox, Arizona 85643

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Effective Date: ~~September 1, 2014 In Compliance with Decision 74704~~

### STANDARD OFFER TARIFF NET METERING TARIFF SCHEDULE NM-1

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meter with a demand register or demand data acquired by the Automatic Meter Reading (AMR) system.

7. Partial Requirements Services- Electric service provided to a customer that has an interconnected Net Metering Facility whereby the output from its electric generator(s) first supplies its own electric requirements and any excess energy (over and above its own requirements at any point in time) is then provided to the Company. The Company supplies the customer's supplemental electric requirements (those not met by their own generation facilities). This configuration may also be referred to as the "parallel mode" of operation.
8. Non-Firm Power- Electric power which is supplied by the Customer's generator at the Customer's option, where no firm guarantee is provided, and the power can be interrupted by the Customer at any time.
9. Firm Power- Power available, upon demand, at all times (except for forced outages) during the period covered by the Purchase Agreement from the customer's facilities with an expected or demonstrated reliability which is greater than or equal to the average reliability of the Company's firm power sources.
10. Standard Rate Schedule- Any of the Company's retail rate schedules with metered kWh charges.
11. Time Periods- Mountain Standard Time shall be used in the application of this rate schedule. Because of potential differences of the timing devices, there may be a variation of up to 15 minutes in timing for the pricing periods. On-peak and off-peak time periods will be determined by the applicable Standard Retail Rate Schedule.